

To: General Government Appropriations Subcommittee

From: Montana State Tax Appeal Board
on behalf of all tax appeal boards
Karen Powell, Chairwoman

January 2009

Please do not hesitate to contact the
Board with any questions: **EXHIBIT 5**

Karen Powell, Chairwoman
(406) 444-5394 (direct) **DATE 1/13/09**
Sue Bartlett, member **HB 2**
Douglas Kaercher, member
(406) 444-2720 (general)

www.stab.mt.gov

Constitutional and statutory History of the Board

The Montana Constitution requires that:

The legislature shall provide independent appeal procedures for taxpayer grievances about appraisals, assessments, equalization, and taxes. The legislature shall include a review procedure at the local government unit level." (Article VIII, Section 7).

The State Tax Appeal Board is the mechanism the legislature chose to implement this Constitutional requirement. There are also 56 county tax appeal boards (CTAB) authorized by the legislature to fulfill the Constitutional requirement for a local review procedure. Each board has three members appointed by the County Commission and a secretary. The State Board trains and oversees the county boards and pays all the costs of their work except for the provision of office space and equipment. Those costs are included in our budget request.

Key words in the Constitutional language are "independent" and "taxpayer grievances". The State Board exists to hear "taxpayer grievances".

The State Board is administratively attached to the Department of Administration (DOA), not the Department of Revenue (DOR). We provide an independent review of the decisions of the DOR. In our hearings, the Taxpayer (whether a homeowner in your district or the largest corporation in the state) is on an equal footing with the DOR.

2009 Reappraisal and Budget Request

- Reappraisal of residential, commercial and agricultural property stimulates the largest number of appeals to the county and state boards.
- 2009 is a reappraisal year. Agricultural land has had its first comprehensive review since 1963. Residential, commercial and forestland property values have also been reappraised. The revised values became effective on 1/1/09.
- Based on past experience, we expect both the state and county tax appeal boards to see a substantial increase in cases during the next biennium. Because of the extensive work done to up-date the data on which agricultural values are based, it is likely the increase will include a larger number of agricultural appeals.
- For these reasons, the Boards are requesting additional funding to process the increased appeals in a timely and appropriate manner. (A one-time appropriation would cover the majority of the appeal costs).

The funding increase requested is based on the number of appeals the boards heard in the first two years of the last appeal cycle (new values became effective 1/1/03). We expect this cycle to produce as many appeals as the last cycle, perhaps more given the economic conditions today.

The State Tax Appeal Board (STAB) is a three member Board, funded through the general fund. The Board hears appeals from decisions of the 56 county tax appeal boards and takes original jurisdiction in matters involving income taxes, corporate taxes, severance taxes, centrally assessed property, new industry, cabin site lease valuations, motor fuels and vehicle taxes, and tobacco taxes.

Appeals are generally handled through an administrative hearing. A hearing before the State Board establishes the complete record of the case to be used by the court system, if a decision is appealed to the courts. The courts do not hold another hearing.

As directed by the Legislature, the board travels throughout the state to hear appeals and to train the county boards. The State Board pays the county tax appeal board member costs, the county tax appeal board salaries, and expenses for all 56 county tax appeal boards.

Response to LFD Comment p A-252: The LFA is inaccurate in stating that turnover at the board has been due to "term limits". Board member terms are 6 year appointments, with no term limits. Since 2000, there has been one board position that has required three separate appointments over a six year term, and was most recently vacant for three months before a new appointee filled the position. One other board appointment left mid-term, and a new appointment occurred mid-term. To date, the third term has been filled by a single appointment.

The following table depicts the effects of the 1986, 1993, 1996, and 2003 statewide reappraisal appeals:

Calendar year	Appeals filed with County Tax Appeal Boards	State Board appeals from the County*
1986 (reappraisal year)	14,789	3,933
1987	2,291	814
1988	1,799	541
1989	876	204
1990	2,197	392
1991	4,909	458
1992	1,331	139
1993 (reappraisal year)	4,072	2,537
1994	694	109
1995	173	53
1996 (reappraisal year) – 1 st year with phase-in	105	22
1997	571	170
1998	156	37
1999	165	51
2000 -2002	474	39
2003 (reappraisal year)	341	128
2004	67	18
2005	35	15
2006-2008	46	16

* does not include direct appeals to the State Tax Appeal Board

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